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FOUR HUNDRED BILLIONS -- OR BUST

By Harry Serwer

If a panic hits the country's economy in the next two years, don't blame it on Truman. The Missouri Manipulator is straining every non-cerebral nerve to lift our National Gross Product over the $400 billion mark. He'll do it if he has to break every rule of honest bookkeeping.

The Survey of Current Business for May (U.S. Department of Commerce) indicates how Harry will stave off insolvency by accountancy. This official "business" sheet tells us that the 1951 National Gross Product, based on the first quarter of the year, will hit $314 billions. But, you ask, if business is doing so well, why was it belabored with all-time high inventories? Why the price wars?

Says the Survey: "A noticeable easing in consumer demand is being offset by expansion in defense procurement and business investment." Notice the use of the word "procurement"; it is the key word of this flim-flam bookkeeping. Defense orders become a part of the National Gross Product as soon as they are placed -- regardless of when they are produced, delivered or paid for. Such a bookkeeping trick more than fills the large vacuum produced by consumer sales resistance.

Note the tie-in of "defense procurement" with "business investment". That's like saying that the combined wealth of a beggar and Rockefeller amounts to a sizeable fortune. The two terms were coupled to take the curse off the puppet economy and its inflationary effect on the price of materiel; for you may be sure that defense items now cost at least 25 per cent more than they did before Acheson stepped into Korea, and that fact has to be covered up by lumping business investment with government expenditures.

The defense backlog is terrific as you can see by the Survey: "The dominating influence of expanding business investment is seen in the mounting unfilled orders of durable goods manufacturers." That's a half-truth. The depression in civilian business forced manufacturers to cast an eye on Washington. And what did they see? The lure of swift amortization for new defense plants, which means an untaxed profit in the coming millenium of ever-higher tax rates. Moreover, defense orders are a

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guarantee of priorities in primary goods if and when we run into shortages. And don't forget the most important of all: business is convinced that this phony economy can be held up only by war, real war or the threat of one.

II

Truman was reluctant about getting into large-scale war production; he preferred to spend the burgeoning budgets on bureaucratic manpower (tanks don't vote). But the Korean imbroglio caught him en deshabille: he called it a street brawl, but the Chinese thought otherwise. Street brawl or war, it gave Harry excuse enough to hand every praetorian guard an order book and to pre-emptorily command: "Place Orders." The guards placed orders, knee-deep.

The consequent backlogs "are exercising a dominant influence on industrial production and personal income payments". To ease up the jam, there must be more spending. So Harry asked for "$61 billion for military purposes in fiscal 1952"; which means that the recent annual spending rate of $25 billion for defense will be upped two and a half times by the end of the year. (There is talk that they will place about $20 billion in one month alone!) Wages in manufacturing alone have risen 33 per cent, or $10 billion; while the total "personal income in March reached an annual rate of $242.5 billion, more than 10 per cent above March a year ago". And "unemployment declined to 1,744,000 in April. . . half as large as a year earlier".

Now, how did this creeping inflation affect inventories? "During the past year, business inventories increased by about $14 billion, with two-thirds of the increase being accounted for by rising prices." And most of this rise came in durable goods where the defense business is being placed!

Take a peak at the Survey for June. Personal income in April jumped to an annual rate of $244 billion. This was accounted for, in part, by an employment increase of a million (mostly agricultural) in May. Unemployment dropped to 1.6 million, "only about half as large as a year earlier". Despite the sharp (14 per cent) rise in per capita income (as well as in employment) the consumers have increased their purchases only 8 per cent dollar-wise (a substantial drop unit-wise because of the sharp increase in prices). Therefore, "disposable income is substantially higher". If the "disposable income" has increased, and the buying hasn't, we must conclude that the consumer is holding on to it; she is not buying, and the inventories are not shrinking, because she won't go for the price increases.

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III

The Survey is proud to report that defense orders are now being placed "in excess of current production". To be specific, "Total obligations so far this year have averaged over $5 billion a month, with current expenditures approximating half of the rate and increasing steadily." Don't fall for that average of $5 billion a month. The molasses pace from the beginning of the year became a torrent only after MacArthur took the stand. You get some indication of it in the aircraft industry. They did about $475 million in the first 1951 quarter; but they had an $8 billion backlog -- enough to carry them for four years if they don't increase their facilities. While some raw materials are below their post-Korean high, retail food prices are at their peak.

What should all this add up to? The Idiot Dancing Down the Wind -- or inflation plus inflation. What else can we expect when we reflect that Federal spending will go slightly under $90 billion in fiscal 1954 (peak spending in World War II was "only" $90 billion)?

The country's inventories at the end of April were valued at $68 billion. Two-thirds of the $14 billion inventory increase, attributed to higher prices, means an inflationary surge of 18 per cent. A Korean truce can have little or no effect on the spending, or the inflation. Even if we tried we couldn't stop defense machinery in less than 12 months. Meanwhile we are in for a number of sneak squeals for more dough . . . more dough for the wastrels of Europe and other points on the compass. Harry won't ask for it all at once. He's too cunning for that. Each request will come with an "incident" -- maybe we'll be told "the snorkels are sneaking up Broadway!" No matter; he must push the National Gross Product over the $400 billion mark somehow.

IV

Now, you'd imagine, from the foregoing picture, that the American businessman is clapping his hands for joy. Well, he just isn't. You can't clap with your fingers crossed. As for the retailers, they're as pessimistic as an opossum treed in a huckleberry bush. Some of them are still shivering over what nearly happened to them this spring. One retail tycoon told me that he had nightmares, like the time his young son was almost run down by a cab.

Despite all the daffodils in the wind, the stores are not buying for fall. Their inventories are still big. The Second Federal Reserve Bank (N.Y. District) reports for May: a store-wide volume increase of 6 per cent against an inventory increase of 29 per cent (that's still a five to one ratio after some awful lickings taken in price reductions).

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The highest inventory increase was still in TV's (197 per cent against a dollar volume decrease of 61 per cent, despite deep-cut price promotions); the next highest was in bedroom furniture (107 per cent against a dollar volume increase of only 3 per cent). The inventory picture is worse in the other Federal Reserve districts because their price wars weren't nearly as intensive as New York's.

One important retailer insisted that his buying pattern is all set for fall. "I don't care if the Government spends $10 billion a month from here in; I'm gonna buy on Monday what I need for Tuesday's selling. I'm gonna sample everything and reorder only after I sell. If Smith hasn't got it I'll go to Jones. There's no action in civilian industries. I'm still getting deliveries much sooner than promised."

A large New York resident buying office sent out a bulletin to its store members at the beginning of July, stating that everything was available and in short order; and that the laggards who were coming in at the very last minute were getting the most attractive bargains. I called up its top executive and asked how he could say such things in the face of a mushrooming war production. He answered, "It's what the consumer thinks about merchandise and prices that makes or breaks a retail market. The women think prices are outrageous; that's why they're crowding into price-war stores where the offers are legitimate. That's why the stores which are sticking to fixed prices are dying on their feet."

This had me dizzy, so I called up a top executive in a large group operation and I told him what I had heard. "Do you agree with all that?" I asked.

"I certainly do."

"Where do you think the economy is going?"

"I think we'll be on the skids some time in 1952. The taxes will be confiscatory by that time. People will try to run away from money but won't put it into any of the usual things. They'll all be trapped. Increases in wages and salaries will be meaningless. The foreign countries, which have been living off us, will desert us as if we were empty banana peels. Note how many foreign countries have lost their yen for American dollars. Incidentally, have you any money in the stock market?"

"Certainly -- who hasn't?" I said.

"Get out while the getting is good."

Even if Manipulator Harry manages to boost the National Gross Product to the $400 billion mark, can he prevent the deflationary effect of consumer resistance?

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Not Merely Gossip *A Supplement to* Human Events Vol. VIII, No. 31

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SIX WEEKS IN WASHINGTON
(or Frank Hanighen on Vacation)

By William F. Buckley, Jr. August 1, 1951

FIRST THINGS FIRST: More striking than any political antic in Washington these past few weeks has been the heat. Day after day of it, a distinctive, humid, oppressive heat of the sort that all but robs man of his instinct to survive. There are those offices here that are air-conditioned, and those that are not. The offices of HUMAN EVENTS, that mouthpiece of Entrenched Wealth and Parasitic Big Business, are not. The offices of the bureaucrats, as a general rule, are.

There's some comfort, though, in this sordid climate. At least twice a day, between home and office, and office and home, the bureaucrats sustain active discomfort. Since the only respectable remedy for any social ailment these days is prescribed by legislation, I would welcome an Act to Prohibit Air-Conditioning in the District of Columbia. If the weatherman will then come through, as he has been coming through the past weeks, it would be safe to venture that the productivity of the bureaucrats would plummet dramatically. Or, they might just leave town. Either way, it is certain the American people would stand to benefit.

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ONE AGENCY: To ask someone in Washington where he works is something akin to asking him how he gets along with his wife. The Central Intelligence Agency (referred to wryly as "the Firm", or the "Chamber of Commerce" by some of its employees who are willing to acknowledge, if obliquely, their affiliations with it), is in town to stay. It appears to be heavily staffed by young Ivy Leaguers, who seek to serve their country outside the armed forces; a welter of young Ph.D.'s and older college professors who amass, evaluate, and, of course, classify mountains of data pertaining to the Cold War; and a liberal sprinkling of middle-aged and older business executives and foot-loose millionaires who seem to have a real sense of "belonging" now that they are embraced by the bureaucratic fold.

All these men and women -- and they appear to be a responsible and serious lot -- are earnest about their work. Unfortunately, an appraisal of their efficacy is on the face of it impossible. The single project we have of their undertaking -- and we'd be grateful if these rumors would die down -- is the encouragement and subsidization in China of a political "Third Force", i.e., one that is neither Nationalist nor "agrarian reformer". But these rumors are of course unconfirmed, and hard to believe. One might as well propose to Premier Mossadegh that the oil properties be turned over neither to the Iranians nor to the British, but to Harriman himself.

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MISSION TO IRAN: No one has predicted the outcome of Harriman's mission to Iran. But one prediction seems safe: if any "progress" is made, it will cost the United States money. Newsweek magazine suggested several weeks ago that the State Department had up its sleeve a "diplomatic coup" -- Iran gets the oil properties and all the profits, and England gets reimbursed by the American government.

Such a triumph of mid-20th Century American diplomacy hasn't yet been revealed to the government's awe-struck audience. But if events don't take this particular turn, it isn't because the editors of Newsweek haven't studied and made proper generalizations about recent U.S. diplomatic habits. And yet, to buy out the British, things being what they are, is not an altogether irrational move; if there isn't any other way to keep Iranian oil from Soviet tanks, then this is the way to do it. And such an offer would give evidence of startling consistency in Administration policy.

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For it's in line with our wholehearted conviction, as evidenced by our policies over the past five years, that the only way to keep the free world free, is to bribe it. England is apparently not prepared to indulge Iran in a little indigenous socialization, since to do so would cost the Fabian visionaries money. For her part, the United States can have no principled objections to Iran's doing what Mexico was allowed to do with impunity in 1938. (To say nothing of Truman's letter to Mossadegh stating that "we [sic] were happy to see that the British government has . . . accepted the principle of nationalization.") Therefore, the problem becomes tactical. If England won't take her losses lying down -- why then Americans must step in, write another check, and bring Harriman back for a ticker-tape reception.

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GOVERNMENT BY THE PEOPLE: Those in Washington -- and there are some -- who have not become inured to government extravagance, inefficiency, dishonesty and dissimulation, are at wits' end as to just what it takes to bring down the decisive wrath of the American people onto the shoulders of the Truman Administration. Momentous political scandals -- some publicized, some not -- occur with stupefying regularity. It may be a presidential letter to a music critic, of such a nature as to cast serious doubt as to the sanity of the author; or it may be a mink coat or a Lustron Corporation loan; or the recent revelation that the French army numbers fewer soldiers than six months ago; or perhaps the discharge of a public hero who is manifestly best qualified to superintend our Far Eastern policy; or some shabby, inconsistent, and superficial apologia for far-reaching and disastrous blunders in foreign and domestic policy. Still, the American people refuse to make any effective protest.

The MacArthur incident, of course, brought some uncomfortable moments. And even as late as last week, a MacArthur partisan wrote to the Washington Times-Herald: "I understand that Dean Acheson's private national anthem is 'My Country, Hiss of Thee' . . . As the ransom price for Oatis, let's give them Acheson!"

But such exhibitions are, bon gré mal gré, for entertainment only. What is lacking -- altogether -- is any evidence of sustained, sober, unflinching pressure of the sort that a people's government must heed. The absence of such pressure has enhanced, inevitably, the estate of our totalitarian bureaucrats. For it is a fair guess, and one that the Administration has clearly reckoned on, that if the blunders and scandals thus far perpetrated have not invoked an undeflectable visitation of justice from the American people, why then government can go on as usual, politics can go on as usual, Truman can go on as usual.

In theory, so long as there are periodical elections, we have in the United States responsible government. But responsive government we can claim to have only by admitting that the chaos, confusion, and highwaymanry that go on in Washington are just about what the people want -- or, at best, what they are willing to stomach.

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MCCARTHY'S SPEECH: Even the few doughty publishers who have been willing, from time to time, to print and circularize books that challenge "liberal" credenda, are balking. McCarthy's 60,000 word speech has most of the necessary qualifications. It is topical, scholarly, fluent and lively. But its conclusions are simply unpalatable: McCarthy states that all evidence points to General George Marshall as a witting member of the Communist conspiracy.

The reluctance of the publishers to handle McCarthy's speech is not the interesting aspect of the question. For after all, they have witnessed the devastating treatment of McCarthy ever since he stood up in West Virginia and stated that Alger Hiss was not a Lone Ranger, but that he had a pretty sizable troop behind him. A fairly realistic appraisal of the situation indicates that to publish McCarthy's speech is to invite not only calumny, which is just one of those things, but also bankruptcy, which is something else again.

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No: the interesting aspect of this situation lies in the fact that it is possible to predict with some certainty what sort of fate would attend the publisher of McCarthy's book. For Marshall's loyalty is simply one of those unchallengeable dogmas, the invalidation of which would be disquieting to the American people. Like Alger Hiss, or even more so, Marshall is a clean-cut, aloof, presentable and impressive figure. So let his appearance, his personality, and his mien, serve amply to confute the deductions that are possible to make from a study of his record.

We don't know whether Marshall is a "traitor", and of course the heavy presumption is that he is not, if only because just one out of several hundred thousand-odd Americans is. We do know, though, that Marshall's career was undistinguished before the World War; and we know that the contributions he made to winning that War benefitted the United States and the Soviet Union alike; the Soviet Union more, in point of fact, because she was face to face with the invader, and we never were. And of course since the War, the Marshall Plan notwithstanding, the Soviet Union has piled up victory after victory, and Marshall was separated from a strategic role in the Administration for only a very short time.

Still, it's hard to believe, and we certainly won't buy McCarthy's thesis outright. But again, the reception of the Senator's speech points up more clearly than any incident we know of offhand that this is the "era of the planted axiom, the era of the begged question". Marshall is right because he's right because he's right. And that element of our community that is primarily encharged with protesting such rigidity of thought, that element which is supposed to keep the mind's door open at all times, on the chance that the man knocking is Truth -- that element, the academic community, is leading the vanguard, sealing in our era of the planted axiom, of the begged question. Not only are the professors refusing to admit of the possibility that McCarthy is right, they are refusing to read his speech. They are saving their energies to smear the man who publishes the book.

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THE WHY OF TAXES: A political scientist, on leave of absence from academic work to engage in a government research project, lectured a few friends recently at a soiree. His words are memorable. As clearly as we can recall, he said, "One of the most extraordinary myths that this country has ever swallowed, is that the government has difficulty raising the money it 'needs' to spend. The truth of it is that the government, more often than not, has a terrible time spending the money it has; and come June, a great number of agencies are at wits' end, knowing that what monies remain unspent at midnight, the 30th of June, revert to the Treasury.

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"The philosophy behind government spending dictates not so much the sum of government revenue consistent with necessary government expense; it dictates, rather, government revenue for purposes of egalitarianism, which is brought about by redistribution.

"Symptomatic of this is the fact that whereas Federal Budgets are drawn up with infinite variations, year after year, often several years go by before new tax laws are written. Thus, in intervening years, the race is to spend money that is pouring in at more or less fixed rates; and more often than not, the Executive is sorely taxed as to how to distribute it. Only the Worst Congress in History, of course, voted to return a share of it to the people who owned it in the first place."

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TO THE POINT: Look for Professor Wilhelm Roepke's weighty, occasionally awkward, but magnificent piece in the current Freeman, "The Malady of Progressivism". Watch out for an apposite and profound treatment on egalitarianism soon to be available: Bertrand de Jouvenal's Ethics of Redistribution (Cambridge University Press). In the works, as a doctoral dissertation, is an essay on The Attitude of the Bureaucracy Toward Congress. It's been a long time a'coming -- though critically needed.

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Book Events

The Burned Bramble, by Mandès Sperber. Translated by Catherine Fitsgibbon. New York: Doubleday and Co. $3.95. Reviewed by Frank Chodorov.

Communists are people, made in the likeness of other people. That is, they have psyches, or something approximating psyches, which are subject to the twistifications that frequently snarl up the lives of other humans. This fact escapes the non-Communist, who is prone to ascribe to the Marxist-infected species a peculiar and indigenous psychology. Whenever a group succeeds in shrouding itself in a veil of secrecy, and behaves in a manner irritating to us, we are inclined to endow it with a psychology all its own; we might even blow up these disliked and "different" people to either heroic or demoniac proportions.

Novelist Sperber, who is also a student of psychology, has given us an entertaining story illustrative of the point that Communists are people. He picks up the careers of a group of ordinary humans and shows how by the manipulation of the cryptic phrases of Communism they manage to beat their brains out. These characters -- from the jacket of the book we learn that Sperber built them out of personal experience -- began as Germans who disliked the burgeoning Hitlerian movement. They were idealists, of course, and felt keenly the disabilities of the "underdog", the many injustices that plague our social order and the danger that threatened their homeland. They were for "doing something about it". So, they joined the Communist movement, which not only gave them a plan for doing, but also a flock of shibboleths that served as intellectual support for their emotionalism. The shibboleths that sustained them most, especially when the facts of life threw doubt on the wisdom of their course, were the historic certainty of the coming of Communism and the infallibility of The Party.

Throughout the story, which is replete with the esotericism of underground activity, the mental and emotional conflicts of these idealists are neatly brought out. They doubt, but cannot afford to indulge their misgivings; they fear, but are always sustained by their faith in The Party and the conviction of ultimate success. These two tenets of their blind faith (reinforced from time to time with involved dialectic) help them from one misadventure to the next. You feel, as you follow their pointless careers, that the values which led them into the movement are gradually breaking down, and since they have no replacement values they are compelled to fill the developing vacuums with new versions of worn-out shibboleths.

Most of their psychological difficulties spring from their attachment to the "motherland" -- where Communism has "proven itself". Whatever happens to them, even death, there is the sustaining conviction that Russia will save the world. There the Utopian ideal has found fulfillment, and its consequent material and spiritual strength will at long last bring the Capitalistic world to its knees. Gradually, however, even this conviction is undermined as the German idealists come into frequent contact with Soviet agents. It begins to dawn on them that Sovietism is nothing but a means for the grabbing and extension of power; perhaps it is no different in essence from the Hitlerism at home. The internecine intrigues are difficult for the idealists to take, but they manage to find excuses for them; but, the 1937 purges, which liquidated some of their most valiant leaders, bring on disillusionment from which there is no recourse.

It is a powerful novel, with real characters and a moving plot. In the growing list of "disillusionment books" that ex-Communists are piling up, it will take a high place, simply because of its craftsmanship. But, one cannot help noticing that this novel, like other books from those that have "hit the trail", displays a characteristic weakness of ex-Communists: having no well-grounded philosophy to replace the one they have found wanting, they fall back on the weaknesses of the personalities in the movement; they still believe that Socialism (or Communism) is inherently sound. Sperber is not less certain of that than Kravchenko or Koestler.

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